

Qualstar Reports Fiscal 2020 Second Quarter Results

Irvine, CA. August 17, 2020 — [Qualstar Corporation](#) (OTC Markets: QBAK), a leading manufacturer of data storage solutions and high-efficiency power supplies, today announced its financial results for the three and six months ended June 30, 2020. GAAP net income for the quarter was \$99 thousand or \$0.05 per share, reflecting improved gross margins and more efficient operations.

Consolidated Financial Highlights

(Amounts in thousands except per share data and percentages)

Consolidated Financial Results	Three months ended June 30,				Six months ended June 30,			
	2020	2019	\$ Δ	% Δ	2020	2019	\$ Δ	% Δ
Net revenue	\$ 1,908	\$ 3,439	\$ (1,531)	(44.5)%	\$ 3,962	\$ 6,295	\$ (2,333)	(37.1)%
Gross profit	\$ 765	\$ 805	\$ (40)	(5.0)%	\$ 1,435	\$ 1,725	\$ (290)	(16.8)%
Gross margin	40.1 %	23.4 %			36.2 %	27.4 %		
Income (loss) from Operations	\$ 98	\$ (27)	\$ 125	NA%	\$ (66)	\$ 109	\$ (175)	NA%
Net income (loss)	\$ 99	\$ (11)	\$ 110	NA%	\$ (57)	\$ 130	\$ -187	NA%
Earnings (loss) per share (basic and diluted)	\$ 0.05	\$ (0.01)	\$ 0.06		\$ (0.03)	\$ 0.07	\$ (0.10)	
EBITDA	\$ 113	\$ (14)	\$ 127	NA%	-40	133	(173)	NA%
EBITDA margin ¹	5.9 %	(0.4) %						
TTM EBITDA	\$ (196)	\$ 614	\$ (810)	NA%				

¹ EBITDA margin is EBITDA divided by net revenue.

Highlights for the Three and Six Months Ended June 30, 2020

- Cash, restricted cash and cash equivalents increased by 23.2% to \$4,881 from \$3,963 as of December 31, 2019
- Revenue decreased for the three months ended June 30, 2020 from the same period last year by 44.5% to \$1,908 from \$3,439, and for the six months ended June 30, 2020 by 37.1% to \$3,962 from \$6,295 for the same period last year, primarily due to the market challenges as a result of COVID-19 pandemic and completion of the Sony project.
- Gross profit decreased for the three months ended June 30, 2020 from the same period last year by only 5.0% to \$765 from \$805, and for the six months ended June 30, 2020 by 16.8% to \$1,435 from \$1,725 for the same period last year. The decrease in gross profit for the three and six months ended June 30, 2020 is primarily attributable to lower revenue due to market challenges brought on by COVID-19, partially offset by higher gross margins.
- Income from operations was \$98 for the second quarter of 2020, compared with loss of \$27 in the same period in 2019, primarily due to more efficient operations, operating expenses decreased 19.8% as compared to the same three months period last year, and decreased 7.1% as compared to the same six months period last year.
- In the second quarter of 2020, net income was \$99 or \$0.05 per basic and diluted share, compared to a net loss of \$11 or \$0.01 per basic and diluted share in the same quarter last year.

"We fared well in the second quarter despite key customers in our N2 Power business unit delaying shipments to the end of this year and into 2021," said Steven N. Bronson, CEO and President of Qualstar. "We are gearing up for growth as we continue to invest in human capital and product development for both business groups."

Qualstar makes available its annual financial statements, quarterly financial statements, and other significant reports and amendments to such reports, free of charge, on its website as soon as reasonably practicable after such reports are prepared. Please visit www.qualstar.com to view the Company's financial results in more detail.

About Qualstar Corporation

Qualstar, founded in 1984, is a diversified electronics manufacturer specializing in data storage and power supplies. Qualstar is a leading provider of high efficiency and high-density power supplies marketed under the N2Power™ brand, and of data storage systems marketed under the Qualstar™ brand. Our N2Power power supply products provide compact and efficient power conversion for a wide variety of industries and applications including, but not limited to, telecom, networking, broadcast, industrial, lighting, gaming and test equipment. Our Qualstar data storage products are used to provide highly scalable and reliable solutions to store and retrieve very large quantities of electronic data. Qualstar's products are known throughout the world for high quality and *Simply Reliable*™ designs that provide years of trouble-free service. More information is available at www.qualstar.com or www.n2power.com or by phone at 805-583-7744.

Non-GAAP Financial Information

A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles, or GAAP. Non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. Other companies may use different non-GAAP measures and presentation of results.

In addition to financial results presented in accordance with GAAP, this press release presents EBITDA and EBITDA margin, each of which is a non-GAAP measure. EBITDA is determined by taking net income and adding interest, income taxes, depreciation and amortization, and EBITDA margin is determined by dividing EBITDA by net revenue. Interlink believes that these non-GAAP measure, viewed in addition to and not in lieu of net income and gross margin, provide useful information to investors by providing more focused measures of operating results. These metrics are an integral part of Quarter's internal reporting to evaluate its operations and the performance of senior management. A reconciliation of EBITDA to net income, the most comparable GAAP measure, is available in the financial statements on its website under Investor Relations. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other companies.

Contact Information:

Steven N. Bronson
Chief Executive Officer
Qualstar Corporation
805-617-4419
IR@Qualstar.com

